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OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

VIII. 4
OMB Concept Paper
1/2-1720

March 23, 1972

Honorable Richard Helms
Director of Central Intelligence
Central Intelligence Agency
Washington, D. C. 20505

Dear Dick:

Enclosed is a copy of an OMB staff paper, prepared at the request of your staff, which outlines for your consideration a process to facilitate the new role of the Director of Central Intelligence in preparing a consolidated intelligence program budget.

We shall be happy to continue to work with you and your staff to help make this a successful endeavor.

Sincerely,



Director

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Concept Paper: Implementing the DCI's Resource Review Role

I. Summary Introduction

The President's memorandum of November 5, 1971, directs the Director of Central Intelligence (DCI) to plan and review all intelligence activities and the allocation of all intelligence resources. He is asked "to prepare and submit, through OMB, a consolidated intelligence program budget, including tactical intelligence" as part of an "annual detailed review of the needs and performance of the intelligence community."

This paper is concerned with procedural aspects relating to implementation of these new community resource management responsibilities. There are, in our view, three critical factors. First, the DCI must be able to identify significant intelligence resource issues for the fiscal year under consideration and for future years. His ability to identify these issues will depend both upon the extent and quality of his participation in the intelligence community's existing resource review forums, and upon his ability to establish a new and supplementary issues process. Thus we have described and analyzed the existing review process within Defense and identified areas where we believe the DCI must make his influence felt. Then we have outlined a new issues process designed to remedy important gaps in existing community-wide review procedures. Second, the DCI must then be able to take a position on these issues, based primarily upon his analysis of substantive intelligence production needs. This will require the establishment of an effective mechanism within the Office of the DCI to consider costs, particularly of collection programs, in relation to substantive production needs. Third, he must be able to communicate his views on these issues to the Secretary of Defense and to the President. IRAC is a forum in which the DCI can share his views with Defense and other interested agencies and receive their advice; the Consolidated Intelligence Program budget is one mechanism by which the DCI can make his views known to the President. Both are discussed further in this paper.

We need to make explicit two further points. First, the description of existing community resource review procedures necessarily applies to past practice. It, of course, does not reflect the DCI's new resource responsibilities, the Assistant

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Secretary of Defense/Intelligence's (ASDI) new charter, nor any other changes either may wish to make. Second, the task set forth here is difficult. We are hopeful that everyone involved in the review of intelligence resources will approach the task with an understanding that aspects of this paper will need modification and adaptation as experience is gained.

II. Existing Intelligence Community Resource Review Systems

There is no single decision-making process or forum in which all the factors bearing on U.S. intelligence activities are considered in relation to resources. In addition to the problems which result from the intelligence community's largely uncoordinated approaches to resource review, most of the independent review processes suffer from a common set of deficiencies - inadequate planning, the absence of overall prioritized guidance from producers and consumers of intelligence, the inability to appraise requirements critically in terms of cost, and a lack of systematic consideration of program alternatives or options.

The resource review processes currently applied to U.S. intelligence activities vary greatly. The process within CIA is similar to that followed by most other agencies and includes the issuance of planning guidance, an internal program review, OMB designation of a planning number, and a detailed budgetary submission to, and review by, OMB leading to a Presidential decision. The process is designed to provide both a detailed review for internal management purposes and a basis for justifying the result to outside reviewers. The resource allocation process within Defense is more complex for several reasons. First, it is geared to produce decisions on all Defense programs, while intelligence programs represent less than 5% of Defense's total resources. Second, it is designed to yield recommendations to be considered by Defense management within the overall Defense/OMB joint review process. Third, it must, of necessity, serve to minimize internal conflicts on small issues between all of those who are involved in any given decision, if timely decisions are to be made at all. Fourth, while a common planning, programming and budgeting process is theoretically applied

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A. Planning and Guidance

There is no separate and identifiable process whereby formal planning guidance is provided for Defense intelligence as a whole. The overall planning guidance which does exist appears in the Intelligence Annex of the Joint Strategic Objective Plan (JSOP) prepared by the Joint Chiefs of Staff. This document is a generalized listing of broadly defined intelligence priorities not unlike those issued by the USIB as Priority National Intelligence Objectives or PNIO's. It is issued originally in July, two years before the budget year, and slightly expanded and adjusted in December. Because its guidance is extremely general, the utility of this document is limited. Nevertheless, it provides the only internal planning guidance applying to all Defense intelligence programs.

In lieu of explicit guidance on intelligence, the separate program managers (e.g., the DIRNSA for the CCP) have developed a more detailed form of planning guidance for their purposes. Like the JSOP, these guides usually do not take account of financial considerations. They vary in emphasis and in quality: some are highly generalized and of questionable relevance; some are highly specific, indicating precise actions to be taken. None emphasizes the development of alternative solutions to major intelligence problems or specifically call for issue-oriented review of intelligence activities.

Within Defense, the planning process is now, in any case, heavily influenced by fiscal guidance, which is a tentative estimate constituting both a floor and a ceiling on resources for intelligence and other activities. The first action to establish a fiscal guidance level is the updating of the Five Year Defense Plan or FYDP, which occurs in January, 18 months before the budget year. This updating is based upon the projection into the budget year of decisions made in the budget review just completed, (which in turn may reflect congressional action on the current year budget). The FYDP also reflects decisions, possibly made up to five years previously, on initiatives to be included for the first time in the program for the budget year. The FYDP updating establishes a firm base for the new budget year program, and all subsequent changes during the remainder of the program cycle will be reflected against this base.

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The fiscal guidance formally issued as Defense's Planning and Programming Guidance Memorandum (PPGM) in mid-February is chiefly determined by the new FYDP, but other factors are considered. These might include major decisions on force levels, implementation of new policy directions from the President, decisions on such items as the all-volunteer Armed Forces, or on housing or pollution abatement criteria. The PPGM, which establishes gross total for obligations, outlays, and personnel levels covering all activities of the Military Departments and Defense agencies, also is affected by initial Defense estimates of next year's likely overall Defense budget level. Such considerations may impact on intelligence levels and be reflected in the total for Program III intelligence. Substantive intelligence problems are rarely addressed in the PPGM but could be treated in an appendix thereto.

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* This description of course applies to past practice and reflects neither the ASD/I's new charter nor any other changes Dr. Hall may wish to institute.

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B. Programming

With the fiscal guidance now established by intelligence program, by Service/Agency, and, in some cases, by appropriation, the stage is set to conduct a programmatic review. The programming phase of the Defense review process is the period during which the Secretary or the Deputy Secretary formally approves changes in programs to adjust the previously approved program, the FYDP, to the new fiscal guidance. This process requires that the fiscal guidance totals, available until this point only by program and service, be broken down into program elements and appropriations. This involves preparation by the Services and Defense agencies of Program Objective Memoranda (POM's), the issuance of the Joint Forces Memorandum (JFM) by the JCS, and, ultimately, the approval of a single Program Decision Memorandum for intelligence by the Deputy Secretary.

Initial programming steps are carried out by the Services and Agencies involved who produce the POM's which propose programs that can be financed within the fiscal guidance level. However, procedures vary among the programs. In the case of the CCP, NSA guides the development of the POM's by working with the Service Cryptologic Agencies in the development of a CCP Program Objective Proposal (CCPOP) which becomes, in effect, the DIRNSA recommended program. This program is then converted into Service POM's and is reviewed by DIRNSA for accuracy. DIA, on the other hand, usually awaits the submission of the Service POM and, then, as GDIP program manager, conducts a review. In the

managers adapt their programs to fit the resources levels and the programmatic divisions approved by their respective Ex-Coms.

The initiative which can be exercised by the program managers is limited as already discussed by the fiscal guidance; by pressures to provide each participant in the program² a fair share of the available resources; by the inherent tendency to support continuing activities; by decisions of higher authority to provide for specific projects; by any substantive guidelines provided, and by natural momentum as specific projects move from R&D to

procurement to operational status. The program managers for the CCP and the GDIP, after review of the POM's, recommend draft Program Decision Memoranda (PDM's) which tend to reflect the recommendations of the Services and Defense Agencies, within the limits set by fiscal guidance.

The draft PDM's are then reviewed by the ASD/I to develop a balanced Consolidated Defense Intelligence Program or CDIP encompassing four of the five U.S. intelligence programs. This review, of course, is limited because it is focussed only on the GDIP and CCP and not on the two Ex-Com programs or CIA. Moreover, in the past, the CDIP review has generally been more concerned with whether the recommendations of the program managers are consistent with established fiscal guidance than with whether, when aggregated, the programs represent the most efficient and effective blend of resources.

C. Budget and Budget Execution

Formal approval in August by the Deputy Secretary of Defense of a draft PDM prepared by the ASD/I permits adjustment of the FYDP to reflect the results of the CDIP review. For the CCP and the GDIP, the next phase in the process involves the formal submission of budget requests to OSD and OMB by the Services and Defense Agencies, displayed in terms of program elements, appropriations, and Service or Agency. These submissions are expected to reflect the PDM approved by the Deputy Secretary and thus the revised FYDP, and included such additional details as: operational costs by expense element (i.e., personnel costs, travel, utilities/rents); equipment to be procured (where costs exceed \$500,000); and military construction detailed by project.

Although the greater detail available at the budget review allows more informed decision-making, the joint review process carried out by OSD and OMB is markedly constrained by the fact that the program level has already been set. In addition, rather than focussing on an intelligence activity, its contribution to production needs, and its relative cost effectiveness, the process tends to focus on details of change from present program levels.

Following the joint hearings by OSD and OMB, OSD/Comptroller prepares, in conjunction with OMB, Program Budget Decisions (PBD's) recommending decisions by the Secretary on the budget requests. OMB at this point frequently proposes resource alternatives on specific issues for consideration. Following the Secretary's decisions, differences between OMB and Defense may be resolved by joint discussion or in meetings with the President.

In the case of the two special programs, this budget review phase, in all its details, is subsumed by the broader Executive Committee review mechanism. Thus these two programs are not included within the normal OSD/OMB joint review process.

Before final decisions on the budget are reached, however, the results of congressional action on the current year budget should be considered. That is, preliminary judgments for the budget year should be examined for consistency with congressional decisions on the budget for the year in progress. The late timing of final congressional action, however, often makes this difficult. In addition, there is no requirement within the joint review process to reconcile decisions on resource problems over the two years. Last year in particular, major changes were made in both the current year (by Congress) and the budget year (by OSD) which cannot yet be related to specific activities, substantive intelligence needs, performance and/or value.

III. A New Review Process

In the past, the influence of the DCI on the resource levels of the various intelligence programs has been based upon two principle factors. First, he has had influence through his voice in establishing requirements against which resources are programmed and budgeted. Here his influence has generally varied with the specificity and precision of the requirements. Second, his influence has rested upon the nature and degree of his participation in the various resource review forums which pertain to the CIA, the two-Ex-Com programs, and the CCP and the GDIP.

In the future, implementation of the President's directive requires that the DCI carry out an annual review of the needs, performance, and resource requirements of all U.S. intelligence programs including but not limited to CIA, State/INR, Defense Program III, and Defense non-Program III or "tactical" intelligence.

As discussed in Part II, there are deficiencies associated with the present intelligence review processes. However, implementation of the President's directive does not now necessarily mean that existing processes must be discarded. Rather, we believe the DCI should establish a process which can remedy these deficiencies, but which will make use of existing mechanisms and procedures as far as possible. To do this effectively, he will need to solicit and receive the active cooperation of the

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8

Assistant Secretary of Defense for Intelligence and other key participants in the Defense review process, and his staff must participate in that process both as a means to bring the DCI's views to bear and also as a means of access to information needed to carry out his responsibilities. DCI participation will be needed in the planning cycle (before Defense's formulation of fiscal guidance) and in the program manager, CDIP, and budget review sessions.

In addition to his participation in these Defense review forums, the DCI will need to develop an independent inter and intra program issue study capability, in order to be able to come to independent judgments on resource levels for the CIPB.

We envision that the resource review process as modified to meet the DCI's needs would function in the following way. From 18 to 12 months before the budget year, the DCI would prepare and issue planning guidance covering all intelligence programs as well as selected non- assets. This guidance, based upon the policy direction of NSCIC, the views of intelligence producers like the DDI and DIA, and USIB's advice on requirements and priorities, would generally not specify dollar levels for each program within the CDIP but would call on both CIA and Defense to reflect the financial impact of the DCI's views on high and low priority collection, production, and other needs. Particular attention would be paid during the development of the planning guidance to cross-program analysis, in order to evaluate the contribution each funded activity makes to intelligence as a whole and to determine if unwarranted duplication exists. The lack of cross-program analysis and the related planning guidance, as discussed in Part II, is a major gap in the existing resource review process.

In some cases the planning guidance will yield resource issues which can usefully be studied during the period when fiscal guidance is being formulated by Defense. When this occurs, IRAC would meet to consider the issues involved and the specifics of any study required such as the composition of task forces, etc. However, most issues which the DCI may wish to raise about the allocation of resources in the community will probably not be usefully debatable this early in the budget cycle and must be considered later during the DCI's issues process, or during the program manager or CDIP reviews.

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After consideration in IRAC, we assume this planning document would be a major influence on Defense's development of fiscal guidance during January, 18 months before the beginning of the fiscal year under review. The DCI's ability to rank high and low priority activities, and his objectivity in gaining support within IRAC on his program guidance and any related issue studies will enhance his impact on the fiscal guidance, and thus on the first phase of the Defense decision process.

After the formal issuance of planning guidance by the DCI, he should take the initiative in developing inter and intra program issues for further study. Other IRAC members are of course free to raise issues for consideration. We envision that IRAC would meet before the reviews conducted by the program managers for the GDIP, CCP, [REDACTED]

25X1 [REDACTED] consider these issues and by whom they should be studied - whether by an IRAC working group, by a program manager group or USIB subcommittee, a special ad-hoc committee, or whomever. In each case, however, the DCI would take the initiative in formulating the issue and the terms of reference for its study. Possible issues this year might include examination of how the Government can best organize to process imagery data available from emerging collection systems.

During the program reviews, the DCI would work as he has in the past, to identify any additional issues which can be resolved within individual review sessions or which he can raise with the ASD/I during the subsequent CDIP review. DCI staff would take an active, formal role in the identification and analysis of CDIP issues. DCI preferred options would be included as alternatives in program decision documents. He would also monitor action on the planning guidance and on issue studies assigned by IRAC. In particular, the DCI must ensure that each program is responsive to the management improvement goals of the President including the most efficient use of resources in the collection of intelligence information, the elimination of inefficient, unnecessary or outmoded activities, and improvement in the quality, scope, and timeliness of intelligence information. It is probable that, to carry out these responsibilities effectively, the DCI will need to seek information which in the past has not normally been available in these reviews.

The next step in the Defense resource review process is the CDIP review. Another meeting of IRAC will be required at this point to consider the status and results of the issue study process and to insure that the DCI's views on issues are known to all IRAC participants. Such a meeting should precede action by the Deputy Secretary on the draft PDM's which result

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Approved For Release 2005/03/24 : CIA-RDP82M00531R000400220005-6

10

from the CDIP review. During the CDIP, the DCI would work with the ASD/I to incorporate the results of issue studies agreed to within IRAC and to monitor action on other issues for use in developing his Consolidated Intelligence Program Budget to be submitted to OMB for the President.

Following these steps, the DCI should be able to prepare major portions of the Consolidated Intelligence Program Budget for submission to OMB for the President. In the first instance, the CIPB constitutes a statement of the DCI's views on resource levels for the various community programs, as determined by his independent issue study and by his participation in the Defense and CIA review processes. After specifying and ordering objectives, the CIPB should contain an analysis of how recommended resource levels are related to those objectives. For example, if it is believed that more coverage of the Moscow area would lead to a better understanding of the Soviet strategic threat, then the recommendations for funding level and mix as between collection programs or within a specific program would relate to that objective. Or, if more analysts are needed to take advantage of new high value sources of data, then that need and its associated costs should be articulated in the CIPB. Second, the CIPB should serve as a record of the DCI's impact on the resource review process. That is, it should explain fiscal guidance levels which result from the planning process, identify issues examined by the DCI during the programming phase, discuss issues and problems considered in the CDIP review, and identify any issues still outstanding. In addition, it should contain analysis of possible further changes, either up or down, or consolidations which might prove necessary as a result of fiscal guidance changes resulting from possible congressional adjustments to the current year budget. Third, the CIPB should include an analysis of progress toward the management improvement goals of the President and toward improvement of the quality, scope and timeliness of the intelligence production effort during the preceding year.

While there are numerous ways to present resource data in the CIPB, the President based his reorganization proposals on two principal areas of concern: the need to improve analysis and production, and the need to seek savings in the costs of collection activities. For these and other reasons we believe that the CIPB to be submitted in 1972 should be organized around functional program categories, the two most important of which are production and collection. The CIPB must, at a minimum, permit discussion of issues within these two categories. Additional categories will be used to subsume those costs which

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cannot legitimately be included within either production and collection. Within these categories, resource data should be presented on the basis of intelligence targets, i.e., Soviet defensive systems, Chinese ground forces, so as to permit easy and comprehensive examination of all assets relating to given intelligence problems.

In addition, there will need to be a satisfactory bridge between the data as presented in the CIPB and existing appropriation accounts, particularly those used by Defense. In this connection, it is important that the cost of any given physical facility or organizational unit is allocated in the CIPB where possible to only one category: e.g., collection or production even if the facility in question makes a contribution to more than one category. Also, in order to minimize division of the costs of organizational entities into numerous arbitrary slices we believe that the costs of a given facility should be allocated when possible to only one intelligence target within a program category.

The IRAC issue resolution meeting and formal approval of a Defense PDM will provide the outlines of a CIPB in programmatic terms. Final production by the DCI of the CIPB will, however, need to wait until approximately October 1 when the Defense Agency and Service budget submissions become available. Although these documents will supply the budgetary basis for the CIPB, DCI staff should be involved as participants in the OSD/OMB joint review. This will enable them to express the DCI's views, prior to the Deputy Secretary's decisions on pending PBD's, on those issues which have not previously been discussed in IRAC. It will also insure their involvement in last minute adjustments resulting from congressional action on the current year budget or from Executive Branch decisions.

Following submission of the CIPB and completion of the joint review, OMB will prepare review materials for consideration by the President. The President's decisions will then be transmitted to Defense, CIA, and State as appropriate for incorporation into the on-going budget process.

After all decisions on the budget, beginning in January, the DCI will need to coordinate preparation of materials required for a joint DCI/Defense/CIA presentation to the Congress of the President's intelligence budget. Based upon the Congress' requests to the DCI this year, we anticipate that this will require a statement by the DCI incorporating many of the points regarding his stewardship which he has already discussed in the CIPB. He will need the support of the Assistant Secretary of Defense/Intelligence in this presentation. The program managers will, of course, be responsible for presentation of the details of their respective programs. During congressional consideration of the intelligence budget, the DCI should participate actively in all discussions relating to community-wide aspects.